

Message Text

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73

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 /098 W

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R 201639Z OCT 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 3745

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS BONN 17146

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: EMMINGER ON MACHLUP AND FOWLER'S TESTIMONY
ON GOLD PACT.

1. DURING A GENERAL TOUR D'HORIZON BUNDESBANK VICE
PRESIDENT EMMINGER TOLD US THAT HE COMPLETELY FAILED
TO UNDERSTAND PROF. MACHLUP AND FORMER SECRETARY
FOWLER'S POSITION ON GOLD IN THEIR RECENT TESTIMONY
BEFORE REPRESENTATIVE REUSS. EMMINGER STRESSED THAT
WHAT MACHLUP AND FOWLER FAILED TO UNDERSTAND WAS THAT
THE GOLD RESERVES OF CENTRAL BANKS WERE NOW ALREADY
WORTH WHAT A CENTRAL BANK COULD GET FOR THEM IN THE
MARKET OR HOW MUCH IT COULD BORROW FROM ANOTHER CENTRAL
BANK BY PLEDGING ITS GOLD AS SECURITY. IT WAS NOT VERY
LIKELY THAT THIS REAL VALUE OF CENTRAL BANK GOLD RESERVES
WOULD BE INCREASED BY THE RECENT GOLD AGREEMENTS. IT
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WAS ALSO VERY UNLIKELY IN EMMINGER'S VIEW THAT CENTRAL

BANKS, EVEN IF THEY WERE FREE TO DO SO, WOULD
WISH TO ACQUIRE LARGE AMOUNTS OF GOLD FROM EACH OTHER OR
ON THE FREE MARKET IN VIEW OF ITS UNCERTAIN AND
FLUCTUATING VALUE. IT WAS MUCH MORE LIKELY THAT
CENTRAL BANK GOLD RESERVES WOULD CONTINUE TO BE USED,
IF AT ALL, ONLY AS SECURITY FOR LOANS.
HILLENBRAND

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Disposition Event:
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